

House File 2231 - Introduced

HOUSE FILE 2231
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 568)

A BILL FOR

1 An Act relating to federal home loan bank rights regarding
2 collateral pledged by insurer-members.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 507C.2, Code 2014, is amended by adding
2 the following new subsections:

3 NEW SUBSECTION. 10A. "*Federal home loan bank*" means a
4 federal home loan bank established under the federal Home Loan
5 Bank Act, 12 U.S.C. §1421 et seq.

6 NEW SUBSECTION. 16A. "*Insurer-member*" means an insurer who
7 is a member of a federal home loan bank.

8 Sec. 2. Section 507C.5, Code 2014, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 3. *a.* Notwithstanding any other provision
11 to the contrary, after the seventh day following the filing of
12 a delinquency proceeding a federal home loan bank shall not
13 be stayed or prohibited from exercising its rights regarding
14 collateral pledged by an insurer-member.

15 *b.* If a federal home loan bank exercises its rights
16 regarding collateral pledged by an insurer-member who is
17 subject to a delinquency proceeding, the federal home loan
18 bank shall repurchase any outstanding capital stock that is in
19 excess of that amount of federal home loan bank stock that the
20 insurer-member is required to hold as a minimum investment, to
21 the extent the federal home loan bank in good faith determines
22 the repurchase to be permissible under applicable laws,
23 regulations, regulatory obligations, and the federal home loan
24 bank's capital plan, and consistent with the federal home loan
25 bank's current capital stock practices applicable to its entire
26 membership.

27 *c.* Following the appointment of a receiver for an
28 insurer-member, the federal home loan bank shall, within ten
29 business days after a request from the receiver, provide a
30 process and establish a timeline for all of the following:

31 (1) The release of collateral that exceeds the amount
32 required to support secured obligations remaining after
33 any repayment of loans as determined in accordance with the
34 applicable agreements between the federal home loan bank and
35 the insurer-member.

1 (2) The release of any of the insurer-member's collateral
2 remaining in the federal home loan bank's possession following
3 repayment of all outstanding secured obligations of the
4 insurer-member in full.

5 (3) The payment of fees owed by the insurer-member and the
6 operation of deposits and other accounts of the insurer-member
7 with the federal home loan bank.

8 (4) The possible redemption or repurchase of federal
9 home loan bank stock or excess stock of any class that an
10 insurer-member is required to own.

11 d. Upon request from a receiver, the federal home loan
12 bank shall provide any available options for an insurer-member
13 subject to a delinquency proceeding to renew or restructure
14 a loan to defer associated prepayment fees, subject to
15 market conditions, the terms of any loans outstanding to the
16 insurer-member, the applicable policies of the federal home
17 loan bank, and the federal home loan bank's compliance with
18 federal laws and regulations.

19 Sec. 3. Section 507C.28A, Code 2014, is amended by adding
20 the following new subsection:

21 NEW SUBSECTION. 10. Notwithstanding any other provision
22 of this chapter to the contrary, the receiver for an
23 insurer-member shall not void any transfer of, or any
24 obligation to transfer, money or any other property arising
25 under or in connection with any federal home loan bank
26 security agreement, or any pledge, security, collateral,
27 or guarantee agreement, or any other similar arrangement
28 or credit enhancement relating to a federal home loan bank
29 security agreement made in the ordinary course of business
30 and in compliance with the applicable federal home loan bank
31 agreement. However, a transfer may be avoided under this
32 subsection if the transfer was made with intent to hinder,
33 delay, or defraud the insurer-member, the receiver for
34 the insurer-member, or existing or future creditors. This
35 subsection shall not affect a receiver's rights regarding

1 advances to an insurer-member in delinquency proceedings
2 pursuant to 12 C.F.R. §1266.4.

3 EXPLANATION

4 The inclusion of this explanation does not constitute agreement with
5 the explanation's substance by the members of the general assembly.

6 This bill relates to federal home loan bank rights regarding
7 collateral pledged by insurer-members in delinquency or
8 receivership proceedings. The bill defines a "federal home
9 loan bank" to mean a federal home loan bank established under
10 the federal Home Loan Bank Act, and an "insurer-member" to mean
11 an insurer who is a member of a federal home loan bank.

12 The bill provides that, after the seventh day following the
13 filing of a delinquency proceeding, a federal home loan bank
14 shall not be stayed or prohibited from exercising its rights
15 regarding collateral pledged by an insurer-member.

16 The bill provides that if a federal home loan bank exercises
17 its rights regarding collateral pledged by an insurer-member
18 who is subject to a delinquency proceeding, the federal home
19 loan bank shall repurchase any outstanding capital stock that
20 is in excess of that amount of federal home loan bank stock
21 that the insurer-member is required to hold as a minimum
22 investment, to the extent the federal home loan bank in
23 good faith determines the repurchase to be permissible under
24 applicable laws, regulations, regulatory obligations, and the
25 federal home loan bank's capital plan, and consistent with
26 the federal home loan bank's current capital stock practices
27 applicable to its entire membership.

28 The bill provides that after the appointment of a receiver
29 for an insurer-member, the federal home loan bank shall,
30 within 10 business days after a request from the receiver,
31 provide a process and establish a timeline for the release of
32 collateral that exceeds the amount required to support secured
33 obligations remaining after any repayment of loans, the release
34 of any of the insurer-member's collateral remaining in the
35 federal home loan bank's possession following repayment of

1 all outstanding secured obligations of the insurer-member in
2 full, the payment of fees owed by the insurer-member and the
3 operation of deposits and other accounts of the insurer-member
4 with the federal home loan bank, and the possible redemption or
5 repurchase of federal home loan bank stock or excess stock of
6 any class that an insurer-member is required to own.

7 The bill additionally provides that upon request from
8 a receiver, the federal home loan bank shall provide
9 any available options for an insurer-member subject to a
10 delinquency proceeding to renew or restructure a loan to defer
11 associated prepayment fees. Such a renewal or restructuring
12 would be subject to market conditions, the terms of any loans
13 outstanding to the insurer-member, the applicable policies of
14 the federal home loan bank, and the federal home loan bank's
15 compliance with federal laws and regulations.

16 The bill also provides that a receiver for an insurer-member
17 shall not void any transfer of, or any obligation to transfer,
18 money or any other property arising under or in connection with
19 any federal home loan bank security agreement, or any pledge,
20 security, collateral, or guarantee agreement, or any other
21 similar arrangement or credit enhancement relating to a federal
22 home loan bank security agreement made in the ordinary course
23 of business and in compliance with the applicable federal home
24 loan bank agreement, unless the transfer was made with intent
25 to hinder, delay, or defraud the insurer-member, the receiver
26 for the insurer-member, or existing or future creditors. The
27 bill adds that this provision shall not affect a receiver's
28 rights regarding advances to an insurer-member in delinquency
29 proceedings pursuant to federal law.